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CHINA REPORT

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NATIONAL POLICY AND ISSUES

'RENMIN RIBAO' VIEWS DIRECTION FOR ECONOMIC REFORM

HK091140 Beijing RENMIN RIBAO in Chinese 6 Sep 82 p 5

[Article by Liu Guoguang [0491 0948 0342]: "Adhere to the Basic Direction for Reforming the Economic System"]

[Text] In order to realize the strategic goal of developing our country's economy by the end of this century put forth at the 12th party congress, the work of laying a good foundation in the 1980's is of great importance. The work of laying a good foundation is very complicated and we must not neglect the work of reforming the system of economic management. During the first 5 years of the 1980's, that is to say, during the Sixth 5-Year Plan period, in the course of continuously implementing the principle of readjusting, restructuring, reorganization and upgrading, we must adhere to the work of reforming the economic system. Currently, we must primarily consolidate and perfect the initial reform which has already been carried out and firmly grasp the formulation of the general plan and the procedure of implementation in the hope of gradually and comprehensively reforming the economic system in the last 5 years of the 1980's, that is, in the Seventh 5-Year Plan period. Doing a good job of this work will be conducive to further readjusting the relations of all aspects, mobilizing the enthusiasm of all areas, gradually shifting all kinds of work onto the focus of improving economic returns, and making preparations for the accelerated development over the next 10 years.

The form of our economic system commenced at the end of 1978 after the 3d Plenary Session of the 11th CPC Central Committee. Under the leadership of the CPC Central Committee and the State Council, we have carried out experimental reforms in various departments of the national economy and in various cardinal links of social reproduction. These reforms have achieved a breakthrough in the structure of the ownership system, the structure of economic policymaking, the form of business management, the approach to economic regulation, the form of distribution, and so on, and the conventional system of overcentralization of power, discriminating against the market mechanism and relying primarily on administrative measures to run the economy is now gradually making the transition to a new economic system. Although the reforms over the last 3 years or more were initial and exploratory in nature, they have profoundly influenced our country's economic life. Remarkable achievements have been made in mobilizing people's enthusiasm to promote the economy and more distinctive results have been obtained in agricultural reforms. Our country's economy has

not relapsed amid big readjustments but has continued to steadily advance. This is inseparable from the role of reforming the economic system. At the same time, since systematic reform is a new and complicated task which involves a wide scope and since we are inexperienced, various flaws and problems are bound to occur in the course of reform. Naturally, these problems will arouse the attention and concern of the people, and the discussion and solution to these problems should be conducive to adhering to the basic direction for reform and should continuously push forward the reform.

Then, what is the basic direction for reforming our economy? Premier Zhao Ziyang has completely elaborated on this problem in his government work report submitted to the fourth session of the Fifth NPC. He said: "The basic orientation of the system reform of our economy should be as follows: While upholding the planned socialist economy, give scope to the supplementary role of regulation through the market and fully take into account and utilize the law of value when working out state plans; strengthen unified leadership by the state over economic activities of overall importance to the economy and the people's living standards, give different enterprises different degrees of decisionmaking power in their economic activities and at the same time extend the democratic rights of the workers and staff in enterprise management; and change over from economic management relying solely on administrative measures to management combining economic with administrative measures and utilizing laws and regulations as well as economic levers in running the economy." The above-mentioned basic orientation of reform involves three basic interrelations in the economic system--the relations between centralization and division of power, between plan and market, and between administrative and economic measures. How should we deal with these three basic relations during the system reform which will last for a certain period in the future? This question must be considered by proceeding from the actual economic situation of our country on the basis of summing up past experience.

Centralization and Division of Power

One of the characteristics of our country's original economic system was that the right of economic policymaking was overcentralized in the hands of the CPC Central Committee and that the localities, enterprises and individual laborers all lacked the decisionmaking power essential to their economic activities. The advantage of this system was that utilization of financial and material power could be centralized, thus enabling the key departments of the national economy to enjoy rapid development. However, it was detrimental to giving play to the enthusiasm of all aspects, and thus obstructed the rational and balanced development of the whole economy. Over the last few years, we have adopted certain measures to divide power during the reform. This includes implementing the method of "dividing up income and expenditure and eating in separate kitchens" as far as relations between the central and local authorities are concerned, implementing the method of allowing enterprises to retain a certain portion of profits, implementing various economic responsibility systems as far as the relations between the state and enterprises are concerned, and so on. This has corrected the past tendency of overcentralization and is essential to mobilizing the enthusiasm of the localities, enterprises and individuals. However, owing to certain flaws in the specific

measures, actual work has failed to keep in line with the specific demands and the phenomenon of idle capital has cropped up in various areas. On the one hand, there was a certain decrease in the state's financial revenues and there was insufficient capital for key construction projects which had to be promptly promoted; on the other hand, capital retained by the localities and the enterprises has considerably increased, and these funds were usually used by the localities and enterprises in promotion of certain local urgent projects. Thus, it was hard to guarantee the construction of national projects. In order to concentrate essential funds on promoting key construction, the 12th party congress stressed that it is necessary to firmly establish the idea of "coordinating all activities of the nation as in a chess game"; and that while continuing to implement the current financial system and give the enterprises greater decisionmaking power, it is necessary, according to the actual situation, to appropriately readjust the distribution ratio of financial revenue between the central and local authorities and the proportion of profits retained by the enterprises, and encourage the localities, departments and enterprises to utilize the funds on promoting projects which are urgently needed by the state.

We should point out that the orientation of the measures adopted by us over the last few years to divide power concerning the relations between the center and the localities and between the state and the enterprises has been correct. We have only had problems with the steps taken, that is to say, the quantitative limits of the measures to divide power, have exceeded the limits that our current economy can bear. As far as this is concerned, there are two views open to question. One view only stresses the orientation of division of power and denies the fact that greater financial power has actually been given to the lower levels. People who hold this view think that there is still overcentralization of financial power and that the localities and enterprises should retain more funds in order to do more things. This desire is understandable. However, if the funds required by key national construction projects cannot be guaranteed and in particular, when the current weak cardinal links of the national economy such as energy, communications and other basic facilities cannot be promoted, we will not be able to enliven the overall situation. Thus, partial development will definitely be restricted and partial development in certain areas will also be inconsistent. At present, a trend of only taking partial interest into account and not taking the overall interest into account is gaining ground among certain enterprises. These enterprises only seek more rights and interests and refuse to undertake greater responsibilities. They do not adopt the method of increasing production and practicing economy or increasing revenue and economizing expenses, but adopt the method of increasing the portion they retain by taking more from state revenue. We should attach great importance to this question and seriously work out a solution to it. Another view holds that the state's current financial difficulties stem from the reform measures of division of power which have been implemented over the past few years, and that in order to solve the financial difficulties. It is necessary to stop giving the localities and the enterprises their own decisionmaking rights and to centralize the enterprises and everything

This view indeed negates the orientation of reform formulated a few years ago and is thus incorrect. We should see that it is exactly because of the reform that the power of the localities and enterprises has been expanded, the enthusiasm for increasing revenue and economizing expenses has been mobilized, and the inherent motivation to increase profits and reduce deficits has been strengthened. In this way, the enterprises have contributed their efforts to relieving the state's financial difficulties in the course of economic readjustment. According to investigations, in the course of carrying out readjustment over the last few years, due to three external factors: the increase of workers as a result of better employment arrangements, the increase of production costs as a result of increased prices of raw materials, and the decrease in profits as a result of insufficient production tasks, the money involved in enterprises in decreased revenues and increased expenses amounted to more than 20 billion yuan over the last 3 years. However, the profits remitted by the enterprises to the state have not been accordingly decreased but have been maintained at a certain level. In addition, the larger share of money retained by the enterprises has been used on things which should have been sponsored by the state. Thus, sharing the burdens of the state budget. It is not hard to imagine that if the reform measures of division of power had not strengthened the enterprises' inherent motivation to increase profits and decrease deficits or to share the state's financial responsibilities, our country would have encountered greater financial difficulties than the present ones. Therefore, in the course of readjusting the distribution ratios and centralizing funds, it is necessary to give consideration to the needs of the localities and enterprises, and enable them to have certain financial power in reserve. Thus, this will be conducive to continuously giving play to their enthusiasm for increasing profits and reducing deficits and encouraging them to do more things which should be done by the localities and the enterprises. In light of the long-term target of enlivening the economy, the expansion of the rights of enterprises is still at the initial stage. The decisionmaking rights which have already been given to the enterprises including the right of planning, raw material rights and human rights, are still inadequate. One of our country's economists, Comrade Sun Zhifang, put forth a few years ago that rights within the scope of simple reproduction in the enterprises such as renewal of equipment, small-scale technical transformation and so on, should be returned to the enterprises themselves. This proposal should be practically and gradually implemented. Regarding the extent of the reproduction rights in the enterprises, it is necessary to make different regulations for different types of enterprises. Decisionmaking rights of individual laborers concerning participation in democratic management, choice of occupation, purchase of consumer goods, and so on, should also be specified in accordance with research on our country's current economic situation and its future development. Strategic questions related to the overall situation of the national economy such as orientation of economic development, major proportions, distribution and utilization of national income, general scale of capital construction investment and the major projects, improvement of the people's living standards, and so on, should be decided by the central authorities, and under such a premise, various localities and enterprises can freely exercise their own power

within certain limits. By means of all this, we must gradually establish a multilayer economic policymaking body integrating the central authorities, localities, business units and individual laborers on the basis of "coordinating all the activities of the nation as in a chess game."

Plan and Market

On the basis of unholding the system of socialist public ownership of the means of production, a socialist country must be able to implement the system of a planned economy. This is not a bone of contention among Marxists because actual practice in socialist construction over the past decades has already proved this theory. The problem is that owing to various historical factors, the traditional system of a planned economy has been built on the basis of the concepts of a natural economy or a product economy and consequently, the practices which neglected the demands of a commodity economy such as materialized management, discriminating against the market mechanism and eating out of a big pot have become inseparable from the traditional system of a planned economy. Since the third plenary session, many comrades in our country's economic circles have gradually eradicated the concept of natural economy and product economy from their socialist economic theory and have established the concept of a planned economy under the conditions of a socialist commodity economy. Under the guidance of this ideology, the mechanism of regulation through the market has been gradually introduced into the internal system of our country's planned economy so as to give play to its supplementary role of regulating the economy. Together with the measures of division of power such as expanding the decisionmaking rights of enterprises, it has yielded distinctive results in speeding up and enlivening the economy. However, since we have not made enough efforts in stressing a planned economy and since we lacked a mature scientific approach both in planned management and market regulation, certain trends which weakened and shook off the state's unified planning existed in our economic activities. This is detrimental to the normal development of the national economy. In order to correct such trends, we must, under the guidance of the principle of "taking the planned economy as primary and regulation by market mechanism as subsidiary," strive to improve the overall standard of economic management and ensure the proportionate development of the national economy by means of the comprehensive balance of economic plans and the subsidiary role of market regulation.

How should we deal with the relations between planning and the market in a socialist economy? Long-term discussions on this question are anticipated in the wake of the development of the socialist economy and the economic system. Regarding certain more specific questions, it is not necessary for us to hastily make binding conclusions but we should carry out incessant exploration by means of practice and work out an answer which suits the current situation. At present, the product mix in our country is irrational, industrial organization is irrational and the price structure is irrational. The whole national economy is still in the course of readjustment. Under such circumstances, a fairly unanimous opinion on handling the relations between planning and the market at present and for a certain time to come is, in accordance with different situations, to adopt three different forms of management in relation to the

national economy, namely: to draw up mandatory plans for production and distribution of products which are of overall importance to the national economy; to draw up plans of a guiding nature for production and marketing of ordinary products; to adopt free production and marketing, under the control of market regulation, of the numerous varieties of daily-use products, small commodities and other agricultural and sideline products. We must study a lot of questions regarding the three different forms of management mentioned above. Here, in this article, three questions will be briefly discussed.

The first question is, whether or not free production and free market, as the supplement of planned production and planned circulation, are included in planned economy. A socialist planned economy carries out the planned management of the socialist economy on the basis of public ownership of the means of production in accordance with the demands of socialized mass production. On the one hand, it embodies the part managed by plans, both mandatory and instructive in nature, and on the other hand, it also embodies management of free production and free market which are not part of the state plan. Free production is a form of business within the scope permitted by unified state planning, and free market is a component part of the whole unified socialist market. Although regulation of this free market plays a subordinate and secondary role, it is under the indirect control and influence of unified state planning, and is under the management and supervision of the state's industrial, commercial and administrative organs. Thus, it seems inappropriate to completely exclude it from a planned economy and place it in an area which is antagonistic to a planned economy.

The second question is, whether or not the factor of market regulation exists in the form of management by plans instructive in nature. Undoubtedly, both plans which are mandatory and instructive in nature belong within the scope of planned regulation. The difference between plans which are mandatory and instructive in nature is that plans of an instructive nature do not have compulsory or binding plan targets but spontaneously make use of economic levers which are related to the law of value to guide the enterprises in realizing the demands of state plans. Here, the regulating role of market mechanism has actually been used. It differs from regulation of the free market in that the latter carries out regulation by means of spontaneous changes between price and supply and demand relations. But in areas managed by plans which are instructive in nature, the state spontaneously makes use of the changes in price and other market parameters to exercise regulation. In the sense of the state's spontaneous application of the law of value in achieving planned targets, this is planned regulation; however, viewed from the angle of the enterprises, it does not comply with the state's directives but determines its own activity according to changes in price and other market parameters. Thus, the factor of market regulation is undoubtedly included. Some people explain plans of an instructive nature as planned regulation carried out by means of market regulation. In my opinion, this is true to a certain extent.

The third question is, whether in the plans which are mandatory in nature, management will be gradually expanded or reduced in the future reform. At present, in order to redress some practices of diversification in the economy,

appropriately stressing centralization and unification and enlarging the range of products and enterprises included in the plans which are mandatory in nature to a certain extent is undoubtedly necessary. At the same time, as long as there exists material shortages or prominent imbalances in the national economy which can hardly be solved within a short period of time, and as long as there remain some problems concerning public interests (such as the prevention of pollution and the protection of environment, and so on) which can never be solved through the market mechanism, the plans which are mandatory in nature will always need to be preserved, and it will be wrong to completely get rid of them. However, there is a certain viewpoint that holds that the targets set in the plans which are mandatory in nature are the principal symbol of the planned economy; the greater number of such targets there are, the more thoughtful and complete the plans will be; and following the improvement of the plan management level, the scope covered by the plans which are mandatory in nature will become larger and larger. Such a viewpoint is questionable. In my opinion, we must not only be aware of the necessity of the plans which are mandatory in nature and their superiority, which are more effective and prompt than other management methods under specific conditions, but we must also keep in mind their limitations and shortcomings under general circumstances. The experiences obtained in all countries which have adopted the mandatory plan system shows that such a plan management form is relatively weak in solving these traditional and instinctive shortcomings of the centralized plan system, such as the divorce between production and demand, the waste of resources, poor quality and few varieties of products, and poor microeconomic returns. The experiences obtained in some countries which have implemented this system for a long time shows that the consequence of microeconomic returns being lowered had gradually dominated this system's superiority in terms of macroeconomic returns. It has led to such situations whereby the declining tendency of the development speed of the whole economy can hardly be reversed, the imbalance of the economic structure can hardly be redressed, and so on. Therefore, proceeding from a relatively long period of time, we cannot set the expansion of the scope of the plans which are mandatory in nature as the direction of the structural reform. Following the progress of the economic readjustment, the gradual shaping of the "purchasers' market" and the rationalization of pricing system, we must gradually reduce the scope of the plans which are mandatory in nature and expand the scope of plans which are instructive in nature. On the other hand, following the improvement of the plan management level, in particular the improvement of the state's command of the market information and the regulation mechanism, we must also gradually strengthen our control over free production and free market through plans which are instructive in nature. Therefore, among these three economic management forms, stress in future should be put on the second form, that is, plans which are instructive in nature. For this reason, while preserving and perfecting these three management forms of the national economy, we must try our best to deliberate on the problem concerning the mechanism of the plans which are instructive in nature. This is the most difficult problem in handling the relationship between plan and market in the socialist economy, as well as a problem which we must solve in upholding the direction of reform.

In relation to the practice of overcentralization and overlooking the function of the market, one of the past characteristics of the traditional system was

that in too many cases, the economy was controlled through administrative organizations and by administrative measures and not through economic organizations and by economic measures. Since Comrade Hu Qiaomu put forth in his article, "Carry out everything according to the economic law and step up the realization of the four modernizations," that economic organizations and economic measures must be expanded, we have attached more importance to handling economic affairs by economic methods in various aspects of reform in the last few years. This is really a great step forward. However, we have also sensed some tendencies of playing down the role of administrative measures. For example, regarding administrative measures as the synonym to subjectivism, commandism and arbitrary and impracticable directions, some comrades unconditionally demanded replacing administrative measures with economic measures, and thus actually negated the objective necessity of administrative measures. In fact, administration is always necessary in social production. Orders, directions, rules and regulations, and so on, are indispensable for economic administration in a society. Of course, under socialist economic administration, administrative measures must be based on the objective economic law, and must correctly reflect and help handle the interests of different aspects so as to attain the expected goals. Therefore, some economists hold that the relationship between administrative measures and economic measures is one between the "outside" and the "inside," or something like the inseparable relationship between form and content. However, apart from this relationship, there is also another side in which administrative measures are not directly linked to economic measures, that is, in the forms of state political power or super-economic power, administrative measures can be used to carry out the will of the administrative authorities at the expense of the interests of other specified aspects. This is a common occurrence in those places where compulsory plans have to be implemented. In certain situations, the administrative measures in such a sense are also necessary in consideration of the interests of the overall situation. Of course, under normal circumstances, we should still get rid of the practice of manipulating the economy solely by administrative measures and, instead, integrate the economic measures with the administrative measures, try our best to operate the economy through economic levers and according to the economic statute. Only in this way can we adhere to the direction of reform.

In the last few years, we have witnessed some negative phenomena in implementing various policies and measures to enliven the economy. Some comrades attribute these phenomena to the mistake of overemphasizing the economic measures and overlooking the administrative measures. They, therefore, conclude that the administrative measures must especially be strengthened in the future. Does such a view conform with reality? The actual situation is that we are still rather unskilled in using either economic measures or administrative measures. Without a doubt, we are weak in carrying out scientific administration. In addition, we have also failed to correctly and skillfully make use of those economic measures such as salary, bonuses, taxation, pricing, credit, and so on, and to give full play to their roles as economic levers. Therefore, in the future, what we have to face is not solely the problem of strengthening administrative measures. We not only have to raise our scientific level in administration, but also have to learn how to correctly and skillfully utilize various economic measures so as to improve overall economic administrative work.

One of the highly complicated problems we are facing in the current reform is how to accomplish the transition from the administration of the economy by administrative organization to the administration of the economy by economic organizations. In the past, our economic affairs were undertaken by various administrative systems according to administrative divisions. Enterprises are respectively subordinated to different ministries of the State Council and different departments and bureaus at the provincial, municipal, prefectural and county levels. They belonged to different systems, and were sharply separated from one another. Such a situation has prevented rational economic ties between enterprises and has given rise to tremendous waste. In order to thoroughly solve this problem, the barriers between departments and between areas must be removed; enterprises must be organized, restructured and integrated according to the principle of cooperation among specialized trades and economic rationality; and the division of work between the government and enterprises must be implemented. However, the division between the government and enterprises cannot be accomplished in one move. With regard to the problems of reorganization and integration, there are different opinions, with some people wondering whether the move should be started from the ministries or from local units. It appears that we could borrow experiences from some cities such as Shanghai, Changzhou and Shashi. "Having our eyes on the whole country and starting our work from central cities," we may take the central cities as our bases, focus on key name-brand products, and establish and coordinate various transregional economically-integrated complexes between different trades and other integrated complexes according to the principle of rationality and the internal links between different economic sectors. In order to prevent blindness in the course of reorganization and integration, we badly need at present to work out an overall plan to set forth the development direction, production scale and layout of plants for different products of different trades in different areas, and to clearly determine in what trades, for what products and in what scope the cooperation and integration should be organized. Before the overall plan is worked out, we must work cautiously, strengthening leadership, speeding up pilot projects in certain key trades in some large central cities, and striving for new breakthroughs in reorganization and integration. Most of the companies which were established in various places in the last few years are administrative organizations. These companies should take active measures to complete the transition from administrative companies to enterprises so as to give full play to their role as an economic entity.

In the above paragraphs, we have concisely talked about some of our immature ideas on the problems of how to understand and handle the relationship between concentration and diversification of power, between planning and marketing, and between administrative management and economic management. Of course, apart from the above problems, there are still some other important problems in the system reform of our economy, for example, how to set up the ownership system under which the public ownership swerves as its main body, other economic components serve as the supplements, and various economic forms coexist; how to set up the management structure under which various forms coexist; and so on

All these problems need further deliberation. And the solution of these problems will enable us to effectively carry out the system reform of our economy at present and throughout the 1980's, and to prepare preconditions in terms of economic system for the economic upswing which is to be accomplished in the 1990's, in accordance with the directions laid down at the 12th CPC Congress. Of course, the economic system reform is by no means a task which can be accomplished in one move. We must keep on devoting our efforts to this task for the next nearly 20 years, until the turn of the century, unremittingly seeking new production and distribution forms to suit the higher stages of the development of productive forces and constantly perfecting our country's economic system. Only in this way can we smoothly attain our strategic goal set for 2000 and strive for a higher modernization level.

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NATIONAL POLICY AND ISSUES

'RENMIN RIBAO' ON UNDERSTANDING ECONOMIC CONTRACT LAW

HK031423 Beijing RENMIN RIBAO in Chinese 27 Aug 82 p 5

[Article by Wang Jiafu [3769 1367 4395], Shi Tanjing [0670 2232 1777] and Wang Baoshu [3769 0202 2885]: "On Several Problems of Understanding in the Course of Executing the Economic Contract Law"]

[Text] The "Economic Contract Law" concluded during the fourth session of the Fifth NPC officially came into effect on 1 July 1982. This law has been formulated in response to the summation of the experiences both positive and negative of the past previous economic development. It is therefore of the utmost importance that we clarify our understanding of the relevant problems which have arisen in the recent practice of this law, so that it may be implemented in its entirety.

On the Importance of Economic Contracts

Owing to our longstanding custom of dependency on simple administrative procedure in economic management, some comrades today still lack proper understanding of the usefulness of economic contract law. It has actually happened that some comrades usually agree to the importance of economic contract law, but belie this in their actions; some openly admit that economic contract law is harmful and others, while acknowledging the importance of contract law, regard it as positively dangerous to their own work units, neglecting to see the importance of economic contract law in a larger context as it relates to the national economy. These mistakes and prejudices frequently result in willfully ignoring contracts, haphazardly negotiating contracts or tearing up of contracts and as much constitute the greatest obstruction to the implementation of the economic contract laws. Therefore, it is absolutely necessary to take steps towards raising the people's understanding of the importance of economic contract laws. Everyone must recognize 1) all of China's socialist economic organizations are constantly interacting and are engaged in any number of economic activities. If we do not use economic contract laws as a legal bond to bring together these activities, so that each element of supply, production, marketing and transportation comes together methodically to form an organic whole, just as a well integrated machine is able to run smoothly, the national economy will sink into a state of chaos. 2) The socialist economy is a planned

economy, it is also a commodity economy and therefore in our economic direction and management we must adopt two relevant legal measures. 1) In dealing with vertical economic relationships we need legal administrative measures which will have as their characteristics the ability to ensure compliance with directives. 2) In dealing with horizontal cooperative economic relations adopt civil measures which will be characterized by the ability to ensure mutual benefit, unanimity in consultation and fair trade compensation. Economic contract laws are a basic element of civil law measures in state guidance and economic planning.

On the Relationship of Economic Contracts and Planning

"Why do we need economic contracts when it should be enough just to implement state plans?" This is the second kind of incorrect view that is hindering the implementation of the economic contract laws. We cannot draw the conclusion that so long as there is state planning there is no need for economic contract law. Inside and outside China, the experience of socialist construction has repeatedly proven that state planning alone, without economic contracts is insufficient. From the formulation of state planning to the point of its realization it is impossible to separate state planning from economic contracts.

1) Economic contracts can reflect the latest market information and social needs and thus provide the formulation of state planning with a solid and practical basis on which to work. In the past we have not done well in this area and have suffered because of it. If we can organize production along the lines of marketing determining production, and demand determining supply, giving full reign to the usefulness of economic contracts in this area, then we can increase the scientific basis of state planning and avoid and decrease blind action in state planning. 2) Economic contracts are important measures in fulfilling the state plans. The state requires enterprises to execute the plans, but even if state planning could be more scientific and more comprehensive, it still could not take account of every phenomenon. Enterprise must have a body of rightful legal representation. Only when the concerned enterprises on both sides agree to sign contracts taking into consideration market needs and their own conditions, and when they increase their objectivization of state planning with respect to product variety, design, color and other specifications, will the state plans be fulfilled. 3) With those things not included in the state plan, commodities and things subject to regulation by market mechanism, economic contracts work toward including them in the state plan where their role is supplementary to the state plan. In the purchasing of farm produce and sideline products, many places have implemented a system of production and marketing whereby the important farm produce and sideline products are fixed by contractual agreement for production and sale to the state, including supply and sales of production materials, allowing for more dependable guarantees for state purchasing plans. By formulating and implementing economic contracts and supplementing state plans, we can guarantee both centralized, unified leadership of the state with regard to macroeconomics, and give full reign to the initiative and enthusiasm of enterprises with regard to microeconomics.

On Economic Contracts and Economic Readjustment

Some comrades feel that while the national economy is in the throes of readjustment, and while the economic system itself is being reformed, since power and

the supply of raw materials are irregular and the transportation system is insufficient, it is not good to fix economic contracts because these contracts are even more difficult to guarantee. We feel that although the difficulties these comrades speak of are very real, still this is no reason not to fix economic contracts. On the contrary, under the present circumstances, we need the advantages of economic contract legal measures even more. Clearly, the rights and responsibilities inherent in supply and demand, and striving to attain parity of distribution and greater use of power, raw materials and transportation will work to promote the development of production. If this is not done, the relations of supply and demand will always be in a state of uncertainty and chaos and in future, the economic interests of the state will suffer greater losses. Speaking in the long term, once the economic management system is reformed and the decisionmaking powers of management and administration in enterprises are enlarged, then we can strengthen economic business accounting and in our future economic dealings with foreign work units, we will certainly require greater use of legal economic methods to guarantee and reflect our own interests and needs. Therefore, the better the work of readjustment and reform are, the more dependable the economic laws will be when put into effect. Economic contract law has clearly established that, "economic contractual agreement must respect the laws of the state, and be in accord with the needs of state planning and policy," and that transgression of state policy and law in signing contracts is completely without value. The economic activities of enterprises are permissible only within the limitations of state policy and state law. The implementation of economic contracts can serve to promote the work of readjustment and reform.

On the Fear of Being Bound by Law

There is a group of comrades who are afraid of being bound by restraints and would prefer to reach "gentlemen's agreements," relying on old connections to do business, and who are not willing to formally conclude economic contracts. We believe that economic contract law is exactly the same as any other type of law, and naturally possesses the same legal binding force. This force is directed, however, at both contracting parties and not merely at one party; it will place restraint on acts that are illegal or violate the contract and yet provide a kind of protection for acts that comply with the contract and for legal and just profits from the contracts. What the economic contract laws bring into play is the principle of responsibility for acts resulting from unintentional errors and slip ups. That is, anyone who breaks the contract either deliberately or unintentionally must accept the responsibility of the broken contract; anyone who has done everything in their power to carry out the contract but still breaks the contract owing to unforeseeable mishaps or force [word indistinct], can in accordance with the law be exempt from part or all of the responsibility for breaking the contract. This type of regulation is fair and reasonable. There are some work units whose much lauded "gentlemen's agreements" are in actual practice more often than not little more than a reliance on acquaintances to use their influence to carry out improper trade practices. They set themselves above the law and policy regulations, and

mobilize personal feelings, playing on their connections and concluding deals under the table. Even if an economic contract has been drawn up, they find excuses not to implement it, and even evade the responsibility of paying up fines and compensation for broken contracts. The party suffering losses is held back out of consideration for the other party's feelings and the fear of adversely affecting future dealings, and so are not willing to pursue the question of compensation and amicably settle the matter, with the end result that the real loser is the state. This kind of thing happens most often in deals between state enterprises. Safeguarding the rights and interests of contracts is not only the right of the enterprise, but is also the duty and obligation of the enterprise toward the state; to forego the matter of compensation and rely on the generosity of the state is most wrong. There are a few enterprises for whom it is not enough that they have had to pay up the expenses of compensation, they must then go and include this extra expense in the cost of the product and thus transfer the burden onto other enterprises and consumers. All the above-mentioned practices are acting that violate economic contract law.

CSD: 00067634

NATIONAL POLICY AND ISSUES

'RENMIN RIBAO' DISCUSSES STUDY OF ECONOMIC RETURNS

HK070808 Beijing RENMIN RIBAO in Chinese 31 Aug 82 p 5

[Article by Gui Shiyong [2710 0013 6978]: "Make a Thorough Study of the Question of Economic Returns"--excerpted from JINGJIXUE WENZHAI No 8, 1982--passages within slantlines published in boldface]

[Text] The problem of raising economic returns has been taken as a key problem and a fundamental starting point in all economic activities. This is an important change in the guiding ideology in China's economic work. It urgently requires us to make a more extensive and thorough study of the question of economic returns and seek more channels for their increase.

The question of economic returns is very complicated. It involves many matters in various aspects. Here, I would like to offer my initial ideas on some major comprehensive problems.

/First, on the relationship between speed and economic returns/

A correct understanding and solution of this problem is the crux of whether our economic work can be really shifted onto the track of development with raising economic returns as its central task. By stressing that priority should be given to raising economic returns, we mean that the long-standing deviation in the past, which regarded speed as the key link and merely pursued the speed of increase of output and output value instead of seeking high economic returns, should be corrected and efforts should be concentrated on raising economic returns so that a more realistic speed can be achieved, on the basis of which the people can have more material benefits.

This change embodies two requirements for us: 1) Strictly follow the actual needs of society in making plans and organizing production and increase the quantity of products on the basis of improving their quality and variety. 2) Save as much labor and material consumption as possible and strive to create more wealth for society with the existing labor and material resources. To sum up, giving priority to the raise in economic returns will result in a more effective and constant increase of speed. Without economic returns, nothing can be used to check the effectiveness of the increase of speed, and without the increase of economic returns, there will be no solid ground for the increase of speed. Economic returns and a true and effective speed are related to each other. We must not set them against each other.

In order to strive for a high speed on the basis of the increase of economic returns, many problems in our production, construction, circulation and other economic work have yet to be studied and solved, such as the problems of how to accurately calculate and foresee the social demands and their development so that the structure of our industry and products can always keep up with the development of social demands; how to carry out reforms on the economic systems so that our planned and unified economy can also be flexible and varied, and can better suit the needs of society, and that better economic results can be achieved; how to take both production and circulation into consideration at the same time while raising economic returns so that trade and goods supply can be fully developed and can play the role of guiding and promoting production and balancing production and needs; how to decide on a correct price and price system so as to give more effective play to the role of price, an economic lever, in regulating and balancing production, supply and needs, and so forth.

/Second, on the relationship between labor consumption and possession of funds/

In the socialist economy, we must not only strive for more economic returns by reducing labor consumption, but also strive for more economic returns by reducing the possession of funds. This has generally been accepted now. The problem is that the relations between labor consumption and possession of funds are very complicated. They have both unified and contradictory aspects. Generally speaking, in the condition that productive technology is progressive, in order to reduce labor consumption, it is usually necessary to improve technological equipment. Thus the possession of funds will be increased. On the contrary, in the productive activities which require a lower level of technological equipment and less funds, labor consumption is usually increased. Our country is an economically backward country with a large population. We are rich in manpower resources but poor in funds. Under such circumstances, it is necessary to establish and develop more trades and enterprises which need less funds but can absorb more laborers. In this way, more social wealth can be created with the same amount of funds. However, since the natural resources which have been discovered and exploited in our country are not sufficient and we need more energy and raw materials, and yet the production in this respect is unlikely to be greatly developed within a short period of time, due to the lack of funds and technology, we must also develop more low-consumption but efficient trades and enterprises so that more products can be made with limited energy and raw materials. But these trades and enterprises usually demand a higher technological level and more funds but less laborers. This is a great problem we have encountered in our modernization drive. Many other problems in the present economic life have, more or less, something to do with this problem. In order to correctly solve this problem in light of the conditions in our country, we must make further study and research in various aspects.

Referring to the industrial structure, it is important to rationally handle the relations between the capital intensive type, the technology intensive type and the labor intensive type industries so that the advantage of our natural resources can be brought into full play and better economic results can be

achieved. We must greatly develop the labor intensive type industry and simultaneously strive to combine it with the technology intensive type industry so that better economic results which are characterized by good quality, low consumption and high labor productivity can be achieved. In this connection, the development of education and science and the increase in workers' scientific, cultural and technological levels are extremely important.

Referring to enterprise structure, the question of how to correctly implement the policy of combining large, medium- and small-sized enterprises also needs to be further studied on the basis of summing up historical experiences. Without doubt, in the light of the actual conditions of our country and in accordance with the law of the development of productive technology, the policy of combining large, medium- and small-sized enterprises must be continuously carried out. However, our historical experiences tell us that although small enterprises need less capital and can absorb more laborers, we must not neglect the other side of the coin, that is, they consume more materials and the quality of their products is usually lower. Failure to see this and unconditionally developing these enterprises in large numbers, which seems to be in conformity with our country's conditions characterized by excessive laborers and insufficient funds, will actually aggravate the difficulties caused by a capital shortage, because it will not only increase the costs of the industrial production and weaken its capability of accumulation, but will also make more demands on energy and raw materials, which will require more investment in this respect. As a result, although investment is increased, products are decreased. Economic development will thus become more difficult. Of course, this does not mean that medium and small enterprises cannot be developed. It only means that some principles must be followed in the development of these enterprises. For example, in the light of the different conditions in different trades and areas, different measures should be adopted. To produce some high-quality single products, which requires comparatively large-scale equipment and has high productivity, more large and medium-sized and low-consumption enterprises must be established in the light of actual conditions. But in the processing industry which produces complicated and various products, more medium and small-sized enterprises must be established in accordance with the principle of coordination among specialized departments. These small enterprises must be both specialized and good, and must give priority to improving the quality of their products. They can employ more laborers. However, since the workers' wages and the depreciation charges are generally lower in these enterprises, the employment of these laborers must not result in the increase or big increase of production costs. Otherwise, their profits will be affected. On the other hand, efforts should be made to [phrase indistinct] and make them catch up with the large enterprises in this respect. If their consumption cannot be reduced in a short time, they must not contend for fuel and raw materials with advanced enterprises when the latter are in need of them, even if the latter are using it for extra production.

Referring to productive technology, there is a question of adopting and creating advanced technologies which suit our country's conditions. There are no national boundaries for advanced scientific technologies. However, they must be applied

in light of the concrete conditions of various countries. Only thus can better economic results be achieved. As a matter of fact, a very important condition for whether a country can quickly be modernized is whether the people in this country can create advanced technologies which are suitable for their conditions. In light of the actual conditions in our country, we urgently need the technologies which can help improve quality, reduce consumption and save money. Of course, conditions vary in various departments and trades. But they must all strive to achieve this end.

Third, on the relationship between macroeconomic returns and microeconomic returns/ The socialist economy is a planned economy established on the basis of the public ownership system. When striving for more economic returns, it is necessary, and also possible, to first strive for macroeconomic returns. This is where the advantage of socialism lies. At the same time, since the socialist economy is composed of various enterprises, departments and localities, without striving for more economic returns in these enterprises, departments and localities, it will be difficult to raise the economic returns of the national economy. In the socialist economy, the macroeconomic and microeconomic returns are fundamentally consistent. But on many occasions, they also contradict each other. The reason is that the socialist economy is a socialized economy with an extensive division of work and cooperation. The macroeconomic return of the national economy is not a simple combination of the economic returns of various enterprises and partial areas but an organic unity of these economic returns in the complicated social contacts. For this reason, some matters which are good for the economic returns in some areas probably may not be good for the economic returns of the whole society, and vice versa. This contradiction becomes more complicated due to the differences between the whole and the parts in the understanding and recognition of the economic situation, especially due to the existence of the partial interests under the premise of the consistency of the interests of the whole and the parts. How to correctly solve this contradiction, that is, how to fully mobilize the enthusiasm and initiative of the enterprises, localities and departments in raising their economic returns and, at the same time, take into consideration and protect the interests of the whole so that the economic returns of the whole society can be raised, is a very important problem before us. It is also a key problem in our reform of the economic system.

Our past experiences over many years show that when the enterprises, localities and departments were not granted necessary power and benefits due to the excessive and rigid control of the central authorities, when such phenomena as "eating out of the same big pot" existed and equalitarianism was practiced, the enthusiasm of various aspects could not be fully mobilized to raise economic returns. However, when they were granted the power and benefits, but not effective and centralized leadership and unified plans, they still could not conscientiously act in the interests of the whole society and the objective demands of the socialized production. The key lies in how to correctly unify these two aspects. This is a very difficult problem, and one which must also be solved well. We have already put forward a basic principle of ensuring planned

economy to play the major role and market regulation the supplementary role and the principle of adopting instructive and guiding plans to suit different conditions. We have also advocated spontaneous regulation by the market within the range of state planning and suggested various forms of economic management. These are correct principles for solving the problems in the reform of the economic system. The problem now is the step-by-step implementation of these principles. Thus, it is necessary for us to further study many problems. For example, what principles should be further put forward, what regulations and methods should be worked out and what systems should be further established to ensure that the decisions of the macroeconomy be both realistic and foresighted; how to draw a correct demarcation line between instructive and guiding plans and market regulation, and what is the objective foundation and corresponding criterion for drawing such a demarcation line; what will be the new situation and new problems which need to be studied and solved after practicing various forms of economic management; how to give enterprises the power and benefits according to their actual needs and what measures should be taken to closely relate the responsibility, power and profits of the economic organizations at various levels; how to establish a system for the rational division of work and cooperation between the management by departments and the management by areas; how to improve planning work and make it more scientific; how to effectively use such economic levers as price, taxation and credit loans to manage economic affairs, strengthen economic legislation and supervision and do a good job in collecting, studying and exchanging economic information; and so on and so forth. Obviously, if we do not make an earnest and thorough study of these problems and find a way to feasibly solve them, it will be very hard for us to healthily develop the reform of the economic system and raise economic returns in various economic activities.

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NATIONAL POLICY AND ISSUES

'RENMIN RIBAO' ON FINANCIAL DISTRIBUTION MEETING

HK091408 Beijing RENMIN RIBAO in Chinese 6 Sep 82 p 5

["Academic Trends" report by Wang Chengyao [3769 6134 1031]: "Discussion on the Distribution of Financial Resources"]

[Text] The Chinese finance institute asked the departments concerned to hold a symposium on the distribution of national financial resources in Jilin City to discuss some theoretical and practical questions about the distribution of China's financial resources at the present stage.

People attending this meeting unanimously held that: How to distribute the limited financial resources in a planned, rational and effective way with the interests of all parties concerned being taken into consideration, and how to give full scope to the promotive, regulatory and supervisory role of the distribution of financial resources in the national economy, so as to guarantee the implementation of the planned economy, to improve economic results and to gradually improve the people's standard of living, is a problem of immediate importance in the distribution policy and the distribution system and a basic question for the academic study of finance in seeking laws governing financial distribution. Based on this viewpoint, the participants encapsulated the historical experience in the field of financial distribution since the founding of the NPC into 16 Chinese characters, which mean: seeking truth from facts; acting according to one's capacity; taking all factors into consideration when working out [word indistinct]; and keeping overall balance.

The participants analyzed the new situation and new problems of recent years in the change of financial distribution. They found that, in the course of readjusting the ratio between accumulation and consumption, besides the problem of financial distribution exceeding national capacity, thus causing financial deficits and excessively distributing the national income, there were mainly the following problems: 1) In spite of the increase in production and the national income, the absolute amount of the financial income and its proportion in the national income decreased. 2) The amount of individual incomes of enterprises and laborers and the percentage of this item in the initial distribution of the national income kept increasing; while relatively speaking, the percentage of the income of the state declined. 3) The amount of funds controlled by localities and the share of these funds in the financial funds kept increasing

and correspondingly, the amount and the share of funds controlled by the central authorities fell. They believed that these changes were derived from the large number of effective measures adopted by the state in the readjustment and reorganization and indicated that the previous situation had been changed in which the state had accumulated excessive funds and in a too rigid manner centralized the financial power and concentrated excessive financial resources in its hand. This had greatly helped the readjustment of ratios in the national economy and mobilized initiative in all fields. It should be affirmed that these changes in the main were rational and necessary and were suited to the economic development. However, a few of them were not rational; some even illegally occupied state financial income, thus resulting in dispersing financial resources and wasting funds and in turn, weakening the state's capability to arrange economic construction and the people's livelihood in a unified way. On the one hand, the state lacked funds when handling key construction projects urgently needed in the fields of energy and transport; on the other hand, some localities and departments, based on their own interests, built duplicate factories and blindly handled production, thus adversely interfering with state plans. This did not conform to the principles of keeping an overall balance in the national economy and in proportionately developing the national economy. The key construction projects of the state had thus been affected. This could never meet the demands in the further readjustment of the national economy.

The participants generally believed that, when solving the problem of the dispersal of financial resources, we could never backtrack to the previous practice of overcentralization; instead, based on affirming the correct orientation of the readjustment in recent years and consolidating its achievements, we should find out the root causes of the problems by taking a guiding principle of "stabilizing policies and conducting appropriate readjustment," strengthening education on the overall viewpoint, perfecting the financial and accounting system and actively adopting effective and feasible measures for increasing production, practicing economy, building up incomes and retrenching expenditures, so as to satisfy the needs of the state's key construction projects and give full play to the superiority of the socialist planned economy. In the discussion, however, people had different opinions on how to stabilize policies and appropriately handle readjustment. Some of the people tended to emphasize "stability." They maintained that the scope of stability included not only the state's policies and decrees but also the existing ratios of financial distribution between the state and the enterprises and between the central authorities and the localities. The readjustment should only be handled under the condition of maintaining the above-mentioned general ratios, and should be limited to some troublesome problems between localities, departments and enterprises, and to correcting some irrational measures laid down by localities and departments for themselves. Others thought that the range subject to readjustment could be larger. In their opinion, keeping policies stable should mean maintaining the existing basic policy of expanding the decisionmaking power of localities and enterprises in financial affairs; while the range of readjustment should include not only some irrational systems and measures but also some specific policies and decrees concerning financial distribution, as well as the ratios of income distribution between the state and the enterprises and between the central authorities and localities.

In order to solve the problem of dispersal of financial resources, comrades attending the discussion made many concrete suggestions, which can be summed up as follows: 1) earnestly implement the 10 principles for economic construction, so as to enrich financial resources; 2) under the condition of keeping the overall balance, specify a rational standard for the amount and proportion of the financial income in the national income; 3) gradually cut back on the subsidies for financial losses and restrain the blind expansion of consumption funds; 4) perfect the system of income distribution in the state-run enterprises; 5) perfect the multi-level setup of financial management from the central level down to various local levels; 6) further control the orientation and scale of investment in capital construction; 7) strengthen management over funds not covered by the budgets; 8) strictly control the banks' medium and short-term loans for technical measures and equipment; and 9) carry out enterprises reorganization in a thorough [words indistinct] and enforce strict financial discipline.

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NATIONAL POLICY AND ISSUES

'ZHONGGUO QINGNIAN BAO' REPORTS ON ECONOMIC DEVELOPMENT

HK040526 Beijing ZHONGGUO QINGNIAN BAO in Chinese 20 Aug 82 p 3

[Article by Zheng Youyun [6774 1635 0061] and Li Zhuqi [2621 0031 0366]:
"National Economy Steadily Developing, People's Living Standard Remarkably
Improving--Reviewing the Great Changes Since the 3d Plenary Session of the
11th CPC Central Committee--Part 3"]

[Text] The 3d Plenary Session of the 11th CPC Central Committee marked a turning point of profound significance in the history of the party and state. Since then, our socialist modernization drive has marched along the track of steady development. Under the leadership of the party Central Committee, we have further fulfilled the historic task of bringing order out of chaos in guiding ideology, and in work arrangement, we have carried out the strategic shift to placing the emphasis on economic construction. At the same time, we have set forth and carried out a series of internal and foreign policies and have gradually opened up a new path which is more practical, with good economic results and of benefit to the people. Prosperity has been emerging day after day in our socialist economic construction due to the efforts made by the people throughout the country.

Agricultural Development Is Just Unfolding

For a very long period of time in the past, agricultural production recorded very slow development due to erroneous "leftist" influence. There were four main reasons: 1) management was over-centralized. Decisionmaking powers of the production teams were not respected. Peasant's private plots, household sideline production and country fair trade were restricted and banned, by cutting off the so-called "capitalist tail"; 2) management methods were oversimplified, with one-sided emphasis on "taking grain as the key link"; 3) "big" and "public" was pursued in ownership system and labor organization, and blind administrative commands were issued; 4) "eating out [of] a big pot" were practiced in distribution. As a result, the commune members' labor enthusiasm was inhibited and the superiority of collective ownership economy was not given full play. Up to 1978, the average per capita income of one-third of production teams throughout the country was under 60 yuan.

After the third plenary session, in order to accelerate agricultural development, the CPC Central Committee readjusted the agricultural policy and adopted a series of important measures such as to resuming and expanding private plots, resuming country fair trade, respecting production team decisionmaking powers, implementing various forms of production responsibility system, raising the procurement prices of agricultural and sideline products and reducing or waiving in some areas. These measures have vigorously aroused the peasants' labor enthusiasm and revived and developed the production of agriculture, forestry, animal husbandry, sideline production and fishery in an all-round way. According to statistics, from 1979 to 1981, the average growth of overall agricultural output value of China was 5.6 per cent per year, greatly exceeding the average growth of 3.3 per cent between 1967 and 1976. In the past few years, great change has taken place in the poor areas. For instance, Fengyang County in Anhui Province was nationally well-known as a "three-dependent county" (consuming grain distributed by the state, getting loans for production, and living on relief funds). In this county, a great number of production teams were too poor to buy stationery and kerosene for lamps. In 1979, the whole county scored remarkable achievements by instituting the "contract" production responsibility system in an all-round way. In the same year, the total output of grain throughout the county increased by 20 percent compared with the previous highest level in 1977. In 1981, grain and oil crop output increased by 100 per cent and 500 per cent respectively, and the commune members' income rose by 300 per cent compared with 1978. This was an encouraging change.

Particularly noteworthy is the fact that with the vigorous development of agricultural production, the peasants have aroused to an unprecedented degree their enthusiasm in studying and practicing science, the number of agricultural machines is increasing, and the process of agricultural modernization is being accelerated. At the same time, the tendency of forming joint undertakings has been seen in the organizational form of agricultural production, based on voluntary association. These things indicate that the excellent situation of the agricultural economy of the country is now in the ascendant and a new high tide is approaching.

Industrial Production Marches Steadily Forward

During the 2 years after smashing the "gang of four," the problems caused by the sabotage of the Lin Biao-Jiang Qing revolutionary cliques and the "leftist" guiding ideology which affected industrial construction were gradually discovered. These can be mainly described as follows: The proportions of accumulation and consumption, of agriculture, light industry and heavy industry, and within industry, were seriously unbalanced, state finances incurred deficits, and the coordinated growth of the national economy was hampered. In order to deal with this situation, the party Central Committee put forward the eight character principle of "readjustment, restructuring, reorganization, upgrading." By implementing the policy of national economic readjustment, we placed the emphasis on readjusting the proportions of light and heavy industry, and took the necessary restructuring as subsidiary. The results have been satisfactory.

In the past, owing to "leftist" ideological influence, undue emphasis was placed on pursuing high target and high speed, and the erroneous guiding ideology of "production for its own sake" remained unresolved for quite a long time. The

growth speed and the investment proportion of heavy industry in the industrial production greatly surpassed that of the light and textile industries. Consumer goods production was reduced, market supplies fell short of demand, and industrial production was not satisfactory. After the readjustment, the growth speed of the light and textile industries has been accelerated. In 1981, the output value of light industry recorded an increase of 48.12 percent compared with 1978. The proportion of light industrial output value in total industrial output value was 51.4 percent, surpassing heavy industry's output value. This was the first time this had happened in the 23 years from 1958 to 1980. At present, the number of China-made watches, bicycles, sewing machines, television sets, washing machines, radio cassette recorders, chemical fibers and other consumer goods, has greatly increased not only in variety but also in design. There is an ample supply of goods. This directly reflects the rapid growth of the light and textile industries.

After the readjustment, change has taken place in the organization and structure of heavy industry, in its product mix and also in its service orientation. On the one hand, a number of enterprises which consumed much energy, produced less beneficial results and incurred more loss, have been closed down or transferred to other production, and a number of products which were of poor quality, overstocked and slow in turnover have ceased production. On the other hand, the product mix has been changed and the service orientation of heavy industry has been rectified. Formerly, this service orientation was seen as "self" service, but now it has expanded to serve agriculture, the light and textile industries, the urban and rural markets and the export trade. Since the fourth quarter of last year, heavy industrial production has started to pick up and it has gotten onto a track of steady growth. It will effectively provide agriculture and light industry with building materials and mechanical equipment.

Apart from this, with the growth of industrial and agricultural production, our country has basically balanced its finances and credits, stabilized goods prices and recorded a great increase in domestic and foreign trade. All this has laid a solid foundation for the steady growth of the national economy.

People's Living Standard Has Improved Remarkably

During the 10 years of internal chaos, the national economy suffered serious damage and it was impossible to put the question of improving people's living standard on the agenda. From 1966 to 1976, the peasants' average expenditure level only increased by about 1.6 per cent a year. The average wages of staff and workers in state-owned units were reduced by 31 yuan instead of being increased. Since smashing the "gang of four," the party and government have paid close attention to improving the living standard of the people in urban and rural areas; in particular, since the third plenary session, the Central Committee has adopted various measures by readjusting the proportion of accumulation and expenditure, and as a result, in 1981, the proportion of expenditure funds was raised to about 70 percent. In the past few years, the funds used for improving the living standard of the people in urban and rural areas, amounted to 140 billion yuan despite the financial difficulty the state was facing. The people's living standard has improved remarkably due to the growth of production.

First of all, the living standard of commune members in rural areas has been greatly improved. The state has raised the purchasing prices of agricultural and sideline products and reduced or waived taxes in some rural areas. This has enabled the peasants to correspondingly increase their earnings by 55.9 billion yuan in the past 3 years, 70 yuan for every person. Western Shandong, eastern Henan, northern Jiangsu and northern Anhui, which were previously poor in production conditions and economically backward, have developed production and greatly improved their living standard. Many peasants' households have "granaries piled high with grain whose fragrance spreads everywhere, pork and vegetables in plenty, and the whole family enjoying a happy life." Thanks to the increase of economic income, the level of the peasants' expenditure has increased remarkably. Change has also taken place in the expenditure structure. The proportion of expenditure on food has dropped, that on consumer goods and clothing has been raised, and the number of people purchasing medium- and high-grade consumer goods has increased. "Selling surplus grain to the state and building new houses" is also one of the happy events in the rural areas. In the past 3 years, the commune members in the rural areas throughout the country have built new houses with a total area of 1.4 billion square meters, 10 square meters per person.

The living standard of staff and workers in urban areas has been improved remarkably. Some people are taking a one-sided approach to the problem by saying that "peasants have become rich and workers poor" in the past few years. As all of us know, since the smashing of the "gang of four," and especially since the third plenary session, the Central Committee has adopted numerous measures for improving the living standard of the staff and workers in the urban areas. For instance, jobs have been arranged for 26 million people in cities and towns in the past 3 years; most of the staff and workers have been promoted, and their wages were increased. In 1981, the average wage of the staff and workers throughout the country increased by 25.7 percent over 1978.

The improvement of living standards of the people in urban and rural areas can also be seen in the brisk markets and the sales of consumer goods, which have greatly increased. In the past few years, with the growth of industrial and agricultural production, the markets of our country have been brisk. There is an ample supply of fish, pork, eggs, vegetables, fruit and other agricultural and sideline products, and more and more people like to buy the products of the light and textile industries. The masses say vividly that the phenomenon of "rushing to buy with money in hand" is not seen much now, and a stable situation of "saving money and buying selectively" has emerged. High-quality consumer goods such as television sets, radio cassette recorders and washing machines, for which only a few people made enquiries a few years ago, have become "goods in great demand."

Our economic situation is becoming more favorable, urban construction is developing, more and more residential buildings have been built, and the new schools, hospitals and libraries show that science, culture and education are forging rapidly ahead. The excellent new situation in the economic field has provided good conditions for creating socialist spiritual civilization and democracy.

How can one help rejoicing over such remarkable changes, which have taken place in a big nation with a huge population and a poor foundation to start with?

These economic results which we have achieved since the third plenary session illustrate the superiority of the socialist economic system. They show that we have tided over a difficult period. This has strengthened our confidence in realizing the four modernizations. We will unite under the party Central Committee and arduously strive to bring about a new situation in socialist modernization and accomplish the great target of increasing total industrial and agricultural output value by 300 percent by the end of this century.

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ECONOMIC MANAGEMENT

'JINGJI YANJIU' ON INDUSTRIAL ECONOMIC EFFICIENCY

HK091341 Beijing JINGJI YANJIU in Chinese No 8, 20 Aug 82 pp 10-13

[Article by Xu Lu [1776 5684] of the policy research office of the State Economic Commission: "Several Questions on Raising the Industrial Economic Efficiency"]

[Text] In further readjusting the national economy over the past few years, various industrial departments have made initial achievements and changes in their work, with raising economic efficiency as the key. These achievements are mainly showed by the facts that production has continued to develop, industrial structure and product structure have become more and more in line with the situations in our country, product quality has become relatively more stable, new varieties of products have been constantly turned out, the consumption of fuel and raw materials has been decreased, comparable production costs have been lowered, the amount of working capital that is possessed by departments supplying goods and materials has been decreased while the pace of circulation has been quickened. At the same time, new changes have been experienced in market situations, the amount of bank deposits in urban and rural areas has increased, and a good situation has occurred in which consumers "deposit their money in the bank and use the money in selective buying" and the "seller's market" has become a "buyer's market."

To our industrial departments, these changes have strategic significance under new situations and represent a basic change in guiding ideology. Concretely speaking, the changes are shown in the following aspects: 1. It is a change from giving prominence to industrial output value and the quantity of industrial products to paying attention to quality, varieties, consumption and cost. 2. It is a change from increasing output and income as the key to paying attention to economizing and increasing income. 3. It is a change from mainly paying attention to expanded reproduction by extension to paying attention to expanded reproduction by intension. 4. It is a change from paying no attention to the role of scientific technology to paying attention to the work in this respect. 5. It is a change from solely grasping production management to paying attention to business management and to raising the level of this management.

Of course, at the present stage these changes only represent a good beginning. As the influences that were formed over the past long period are so deep and because of the influence of incorrect leftist ideology, there still exist many problems that have hindered us in fully displaying economic efficiency, and

these problems cannot be totally solved in a short period. Therefore, it is imperative for the national economy that implementation of the principle of carrying out readjustment as the key is continued. Active measures must be taken to reform the management system step by step and to basically change the irrational situations that have been formed over the past long period so as to lay foundations for opening up a new road that is characterized by solid pace of development, better economic efficiency and better concern for the people.

For a certain period to come, it is imperative that industrial departments and enterprises sum up their experiences and under the premise of following state unified planning and raising social economic efficiency, to persistently spare no efforts to improve their economic efficiency. In order to reach this goal, it is necessary that particular attention be given to the following:

I. Readjust Product Structure in a Flexible Way According to State Planning and Market Demand and Do a Good Job of Linking Production With Demand so as to Turn Out Salable Products

It is a glorious task for various industrial departments and enterprises to carry out production for the sake of social needs, to spare no efforts to fulfill state planning and to make still greater contributions to a basic improvement in the financial and economic situations in our country and to the early realization of our modernization program. The primary task of industrial production is to carry out planned production according to defined levels of quality, quantity, varieties and specifications of products and pace of production. We must also pay attention to the value of commodities, and particularly to the usefulness of a commodity, so that we will be able to turn out marketable products. Otherwise, with regard to the value of products, the loss will outweigh the gain or, with regard to usefulness, we will just suffer losses while the products become wastes or are stockpiled in warehouses as unsalable goods. It means that the labor consumed is not acknowledged by society. It cannot be regarded as effective labor, nor can it form social wealth.

Therefore, in the process of readjustment, it is imperative that various industrial departments and enterprises spare no efforts to bring about the growth of their production and achieve better economic efficiency. Therefore, they must carry out planned economy as the key and market regulation as the auxiliary principle; persist in the policy of activating the economy; change the previous method of just waiting for planning and carry out production irrespective of the market situation; and change from solely grasping production management to simultaneous persistence in doing a good job of business management. That is to say, it is imperative that no efforts be spared in studying market information and predicting the market situation, changing product structure, raising flexibility and adaptability in production, striving for survival and development in studying and developing new products and new varieties, and being good at making use of the active role of market regulation as the auxiliary form so that production can be organically linked with the needs of the harmonious and proportionate development of social production.

This year, many departments and cities have turned out new products and new varieties in big quantities. As a result, the newly added industrial output value has come to as much as 5 percent of the total basic figure of the previous year. The figure for some cities in Hubei Province is as high as about 20 percent. A button factory in Suzhou has spared no efforts in producing new products with high quality and more than 400 specifications. Its products have been sold not only in the domestic market, but also in more than 80 countries and regions of the five continents. Per capita average labor productivity of this factory is as high as more than 40,000 yuan annually (the average figure for industrial workers across the country is merely more than 10,000 yuan). Each workers of this factory creates 11,389 yuan in profit for the state annually. Although this factory is only producing small commodities, it has made big contributions to the country. A great number of departments and regions have also begun to change the "10-year set system" with regard to their production. Basing themselves on the needs of consumers and market prediction, they have resorted to the method of "producing one generation, reforming one generation, studying one generation and predicting one generation" so that they are able to constantly upgrade their products and provide new products and new varieties. Consequently, their products have been welcomed by users. Some factories in Shanghai and Changzhou have set a goal of "producing the products that have not been produced by others, producing more such products when others have begun to produce them, producing quality products when others have also produced such products and shifting to other production when others have produced such quality products" so as to encourage themselves to constantly make progress. Our industrial departments will have bright prospects if they are able to follow this road. And as a result, there is no doubt that our markets will be enriched by more varieties of products and that they will also become brisk and prosperous.

In order to constantly readjust product structure and to constantly add new products, it is imperative, first of all, that state planning be followed and, on the basis of doing a good job of market prediction and of defining orientation for the development of products, it is necessary for the departments concerned to take the development of new products and technical preparation as the key of their scientific research work. These departments must organize their scientific workers to carry out research activities, with their current tasks occupying primary position, and combine these tasks with long-term interest. At the same time, efforts must be made to popularize the achievements of scientific and research work so as to turn out new products as soon as possible. When the new products have been marketed, it is necessary that guidance be given to users in order to do a good job of after-sale technical service.

Second, it is imperative that a good job be done in shifting the technical service orientation and popularizing the use of technical achievements. This shifting work includes shifting from laboratories and scientific research to factories, advanced regions and units shifting advances to backward regions and units, and military technology shifting to civil-use technology. It must also include shifting from importing foreign technology to relying on our own. In this respect, we must oppose the wrong method of blockading and monopolizing

technology, foster the idea of taking into account the whole country and do a good job of social coordination. At the same time, it is necessary that rational and mutually beneficial policies be implemented and that various methods for payable transfers be adopted.

II. Economize on Energy and Raw Materials, Raise Labor Productivity and Lower Production Cost So As To Create More Income for the State

Many industrial departments have been able to cut down labor consumption and the comparable production cost this year. Consequently, they have been able to produce more products that are demanded by society with less labor and materials consumption. Taken as a whole, in the first 5 months of this year various industrial departments have accumulated tax income that is equal to last year's total tax growth. But the growth of the profit handed over to higher authorities was still lower than the growth of production. Various industrial departments still have a very large potential for decreasing consumption and cost expenditures and increasing tax revenue and the profit that is to be handed over to higher authorities. Production cost represents the total expenses of enterprises in producing their products and various other expenses in selling these products. In other words, production cost is the main target of economic efficiency as well as a comprehensive reflection of the results of enterprise production and management activities. To decrease cost means to economize on expenditures and to increase profit.

Experiences of many departments, regions and enterprises proved that in order to effectively decrease consumption and production cost, it is imperative that a change be made from the current method of calculating cost after production to the method of goal control cost after production. It is because with goal control cost, we will be able to further concretize and realize the economic accounting of enterprises. The method used in goal control cost is to assign each worker a series of small goals that are composed of various quotas and standards of labor, equipment, goods and materials, and funds in the whole process of production from supply and production to sales. That is to say, all workers and the entire staff of enterprises make concerted efforts to guarantee the realization of the general goal of decreasing production cost, increasing output and income and increasing income through saving expenditures, and these measures are linked with the staff award and punishment system. In this way, the past enterprise accounting method of "carrying out accounting according to orders from above" and "accounting after production" has consequently been changed to carrying out "accounting on their own accord" and "accounting prior to production." As a result, the ups and downs of per unit production cost can be seen and controlled in time, the situation of "eating out of big iron rice bowl" with disregard of expenditures can be changed and the masses of workers will be able to consciously carry out their activities according to economic accounting. Consequently, the entire staff and all workers will be concerned with the financial situation of their own enterprise and each will be concerned with the financial situations of enterprises. With the introduction of goal control cost prior to production, enterprises have been able to make new progress in their accounting, and this accounting is based on the support and concern of the masses. Thus, by relying on the masses, the

potential of enterprises has been further tapped and the enterprise position responsibility system has been enriched while the economic responsibility system has become more complete with such contents as "persons are assigned certain positions, certain positions assigned certain responsibilities, certain responsibilities assigned certain points and certain points assigned certain awards." Under this situation, each worker will be able to start from the calculated goal control cost standard, acquaint himself with the quality standard and statistics that must be met in his operation and other works, and calculate the amount of products and income he has created for the country and the awards due to the related workshop, quotas of work, groups and himself. Thus, with responsibility, rights and interests of enterprises and workers and staff concretely assigned, it is easy to see what collectives and individual workers have or have not done their work well. With this practice, it is possible for enterprises and their staff and workers to display their initiative still better. The workers of various teams on duty will also become active and be concerned with the economic efficiency of their operation and production. All enterprises will strive for this common goal of economic efficiency and pay attention to savings, quality of products, sale production and labor discipline, and they will be willing to launch socialist labor education campaigns.

The Capital Iron and Steel Company has become a national pace setter in realizing goal control cost and in perfecting the economic responsibility system. Since the beginning of this year, the company has made further achievements thanks to the rationalization activities regarding production organization and business management. In rationalizing production organization, this company improved technical processes and organized production rationally; used new technology, new processes and new materials in a big way and studied new products so as to meet market demand; summed up and popularized the best positional operation method and concentrated its efforts on carrying out technical reform with the items that bring quick and big results. In rationalizing management, the company extended the position responsibility system in an overall way, doing so properly and thoroughly and in accordance with the specification and standardization requirements. It strengthened cost and profit prediction, and beginning on August this year, it has been able to predict daily profits based on the quantity of commodities and the prediction of the situation of goal control cost. Other measures include improving the business method and business process, strengthening statistics management and organizing workers and staff to make rational proposals so as to raise economic efficiency. Thanks to these two aspects of the rationalization activities, this company was able, in the first 5 months of this year, to increase profits by a big margin, although the production of major products grew very little. It was able to increase income with limited production and increased expenses. Compared with the same period last year, the income during this period was 26.28 percent higher.

III. Shift Expanded Reproduction by Extension to Expanded Reproduction by Extensions. Carry Out Technical Reform in the Existing Enterprises in a Planned Way and Improve Industrial Economic Efficiency

In the past period in the past, the development of our industry was characterized by paying attention to capital construction and neglecting

production, paying attention to building new facilities and neglecting technical reform, paying attention to expanded reproduction by extension and neglecting expanded reproduction by intension, and neglecting work in favor of displaying the roles of the existing enterprises. All this resulted in low economic efficiency. The industrial and communications enterprises across the country now have more than 400 billion yuan in fixed assets, of which about 30 percent have already surpassed their period of service. Most of the equipment in our machine-building industry was made in the 1950's and 1960's. Many of the machines used by our light industry and textile industry were made before the founding of new China. The equipment of our chemical, metallurgical and building material enterprises are also outdated. Backward technology and equipment have become a major factor in our industrial production, which is characterized by low productivity, low quality, high consumption, serious wastes and high costs.

It is because of the above-mentioned situations that people have begun to pay attention to technical reform over the past few years. Since 1981, the fund used for renewing equipment, technical reform and expanded reproduction by extension throughout the country in fact surpassed the fund allocated for new capital construction items. Old industrial bases and old industrial enterprises carried out their technical reform earlier this year, and they have done this work quite well. Planning has also been worked out for the technical reform of the machine-building industry across the country, planning carried out around the requirement for the realization of the modernization program and for improving economic efficiency. At the same time, measures have also been taken to step up the technical reform of the equipment with high consumption rates, and particularly equipment primarily associated with high energy consumption such as furnaces, blowers, pumps, electric generators, transformers and motors. In this undertaking, technical forces have been organized to solve technical problems and to study and build new products with high productivity and low consumption to replace the old equipment. The technical reform of industry and the "five small enterprises" in localities has also been quickened. Small nitrogen fertilizer enterprises across the country have cut down on the consumption of energy and raw materials through technical reform and strengthening management. As a result, they have improved quality and all the enterprises have turned losses into profits. A number of big enterprises have now defined their goals and worked out planning for technical reform. By the end of May this year, the Anshan Iron and Steel Company had completed about 400 items of technical reform while about 120 items are being undertaken. Through initial technical reform, production of products in short supply has been drastically increased; the proportion of light industrial and other products needed by the market has been increased from 45 percent to 60 percent, and these products have higher quality while new products have been constantly added. Comprehensive energy consumption for producing a ton of steel has been decreased from 1.324 tons of standard coal in 1978 to 1.194 tons of standard coal. Many technical reform items have been completed in the year they were started and have been able to make a profit in the same year.

In order to enable the technical reform of the existing enterprises to raise economic efficiency still better, the reform must be carried out along the lines of readjusting the enterprise service orientation, reorganizing coordination

specialized departments and reforming the management system. Technical reform must be tailored to increase the varieties and quantities of salable products so as to meet the needs of developing production and improving people's cultural and material life. Efforts must also be made so that technical reform will help speed up the upgrading and replacement of products; improve the proportion, quality and efficiency of products; decrease the production consumption of products; decrease production costs, and raise labor productivity. In addition, technical reform must also be in the interest of realizing safe production, strengthening environmental protection and lightening heavy physical labor.

In carrying out technical reform, it is necessary to use the existing scientific and technical achievements in production as much as possible so that the achievements can be directly turned into productive force. In order to reach this goal, it is necessary to comprehensively turn advanced scientific and technical achievements made at home and abroad into useable form and to use them in technically reforming old bases and old enterprises. Advanced and suitable scientific and technical achievements must be turned into tools of labor for the existing enterprises so as to improve labor conditions and labor productivity. It is also necessary to provide effective means and measures so as to strengthen the comprehensive utilization of the resources of old enterprises and overcome pollution. Technical reform must be mainly aimed at developing varieties and upgrading the quality of products and opening up various ways for saving energy and producing the main components for imported equipment and the equipment made by ourselves on the basis of the imported equipment and at enabling our country to produce key products and the related materials as soon as possible.

Technical reform must be carried out with raising enterprise comprehensive economic efficiency as the center. In the process of carrying out technical reform, it is also necessary to follow the principle of self-reliance as the key and to economize on all funds so as to be able to do more work with quick results and less money; to correctly handle the relationship between technical reform and production and do a good job in making various preparations before the various items of technical reform are carried out so that technical reform will not affect but increase production; and to combine the reform with overhauling equipment. For example, the first initial steel rolling plant of the Anshan Iron and Steel Company carried out overhaul work while it was carrying out technical reform. Thanks to this reform, this plant has been able to expand the capacity of producing steel billets with better quality, less damage to steel ingots and less energy consumption. Furthermore, this plant has also been able to prolong the lifespan of heat furnaces. In the 6 months since it began production, this plant has added 20 million yuan in profit to the state.

In short, the only way for the existing old bases and enterprises to raise their economic efficiency and accumulate strength for future development is through technical reform, which is an important strategy for our country in developing our industry and economy. Therefore, we must make still greater contributions to this respect.

ECONOMIC MANAGEMENT

SECOND NATIONAL FORUM ON SERVING CONSUMERS OPENS

SK310529 Tianjin City Service in Mandarin 1430 GMT 30 Aug 82

[Text] According to our sources, the State Economic Commission and the China Quality Control Association jointly sponsored the second national forum on serving consumers in Tianjin on 30 August. Attending and speaking at the forum were Ma Yi, vice minister of the State Economic Commission; Jiang Chongjing, vice president of the China Quality Control Association; and Hao Tianyi, Standing Committee member of the Tianjin CPC Committee and deputy mayor of Tianjin. Also attending were Qiu Chunfu, advisor of the State Economic Commission, and Song Ligang, vice president of the China Quality Control Association. Participating in the forum were representatives of units distinguished in serving the consumers under industrial, communications, capital construction and commercial service departments in 29 provinces, municipalities and autonomous regions, as well as responsible comrades of ministries and bureaus concerned under the State Council, 105 persons in all.

Following the opening of the first national forum on serving the consumers in September 1981, various localities and departments have achieved desirable results in launching activities of serving the consumers. The quality of industrial products has reached the best levels in history. Alongside the further readjustment of the national economy, some trades and professions have made progress in improving the variety and quality of their products. However, viewing the situation more generally the current quality of industrial products is far short of meeting the requirements of the people and the demands of the economic construction. The remaining conspicuous problems in developing the economic work are: The variety of goods is increasing slowly; the quality of goods is not stable enough; and many products are not readily marketable. What merits our special attention is that since the past spring-winter period, due to the prompt increases of production, the idea of attaching importance to the quantity instead of quality has reappeared. Quality of many products has fluctuated and then dropped.

In light of the current service situation for consumers in industrial enterprises, capital construction, communications, transportation and commercial service, Ma Yi, vice minister of the State Economic Commission, put forward some tasks for the future. He urged various enterprises and departments to foster the firm idea

of serving the consumers. Production units should strive to serve the consumers wholeheartedly and hold themselves responsible to the consumers. They should conduct the market survey well and make arrangements for production in line with the consumers' needs. Products urgently needed by the consumers should be turned out promptly by every possible means. Those not needed should not be produced. Products that have poor function and quality and that are unmarketable for a long period of time should be obsoleted resolutely. Various enterprises should vigorously conduct many forms of technological service work and combine the improvement of quality and service to the consumers with the economic responsibility systems so as to raise the economic results for the state and society. It is not allowed to lower the standards of services to the consumers and the quality of products merely for more profits. All departments and localities should make a conscientious and comprehensive analysis of the current situation, clearly understand the social needs, find out where they fall short compared to others, discuss and set forth long-term goals and strive to improve the variety and quality of products in 3 to 5 years or more.

CSG: 4-00-034

ECONOMIC MANAGEMENT

NATIONAL MEETING 'ON SERVING CUSTOMERS' HELD

OW050559 Beijing XINHUA Domestic Service in Mandarin 1153 GMT 4 Sep 82

[Excerpts] Tianjin, 4 Sep (XINHUA)--It is necessary to bring into play the role of customers in guiding, promoting and supervising China's industrial, transportation, construction and commercial development, the second national meeting "on serving customers" stressed.

The national meeting was convened by the State Economic Commission and the China Quality Control Association in Tianjin from 30 August to 1 September. The meeting summed up previous experience in serving customers. Since the convocation of the 3d Plenary Session of the 11th CPC Central Committee, the industrial, transportation, construction and commercial departments, in implementing the readjustment policy, have gradually stressed the importance of quality rather than quantity in guiding production and have scored gratifying results. Since 1979, there are over 7,000 products which have been evaluated as high-grade products. Among them some 700 products have received state quality awards.

The meeting held that there are still problems with regard to serving customers. These problems can be summed up as sluggishness in the development of new varieties of industrial goods, lack of uniformity in quality, many unmarketable products and the very poor service of many units. Some units even practice fraud in their business operations. The meeting called on all enterprises to firmly foster the thought of serving the customers by vigorously developing new products and improving product quality.

CSO: 4006/634

ECONOMIC MANAGEMENT

CONFERENCE HELD ON FINANCE, TRADE WORK

Guangzhou GUANGZHOU RIBAO in Chinese 14 Jul 82 p 1

[Article by Guangdong Broadcasting Company Reporter Chen Liafeng [7115 5571 1496] and GUANGZHOU RIBAO Reporter Wu Mingxian [0702 2494 0341]: "Strengthen Management To Make Finance and Trade Work More Lively and Healthy; Provincial Finance and Trade Work Conference Summarizes Lessons of Experience in Finance and Trade Work over Past 3 Years"]

[Text] What have been the lessons of experience in Guangdong's finance and trade work since the Third Plenary Session of the 11th Party Central Committee, especially since Guangdong implemented the special economic zone policy and flexible measures? From 3 to 13 July the Guangdong Finance and Trade Work Conference convened in Foshan by the Provincial People's Convention has conscientiously summarized [this experience].

The conference felt that since the Third Plenary Session of the 11th Party Central Committee, Guangdong's finance and trade work has begun to eliminate leftist thinking, broken the deadlock of "excessive uniformity and rigid control" so that historically important changes have taken place in trade and finance work. In commodity circulation, many new channels and managerial forms opened up and smashed the regional isolation and the monopoly of state-run commercial management. Looking at the market situation, Guangdong's urban and rural markets are brisk and sales are doing well; sales outlets have increased and supply has improved; revenue has steadily increased and the standard of living has improved; the finance and trade system has made preliminary reforms and promoted the completion of finance and trade missions. Generally speaking, Guangdong's economy is developing rapidly, and finance and trade work has made some pleasing accomplishments.

At the same time, the conference felt that because ideological and political work and managerial work in the past few years could not catch up, some new problems have cropped up in Guangdong's finance and trade work. For example, the rapid contraction of the sales territory of agricultural sideline production, list price goods controlled by state-run commerce are declining, the proportion of negotiated-price goods is increasing, which has caused a rise in prices of some nonstaple foods; "nationwide training" has upset the unified socialist market, some who are eager to engage in merchandising, traffick in smuggled goods, "thinking money is everything"; some force up prices

to cause a rush on agricultural sideline goods, and force prices down for export competition, at the same time importing great quantities of consumer goods which hit interior markets hard and influence the development of industry in the interior. In addition, some units do not respect finance regulations and have recklessly issued bonuses; some personnel have engaged in corruption; some leadership teams are lax, etc. The conference pointed out that these shortcomings and problems are gradually being resolved because the provincial party committee and provincial government have formulated measures promptly to get Guangdong's finance and trade work on the track of healthier development.

The conference felt that the aim of the current emphasis on summarizing experience and strengthening management is to make finance and trade work more active, to make development more healthy and it definitely is neither "policy change" nor "backtracking." This invigorating must be continuous and the managing must be done well. For example, the long-term policy on permitting a variety of managerial forms and a variety of circulating channels, as long as socialist public ownership is absolutely dominant; the policy on smashing regional isolation and circulation of goods by economic zone organization; the policy of actively opening cooperation inside and outside the province on negotiated sales and purchases; the policy of opening up large and medium-sized city agricultural sideline production goods markets and supporting and developing small vendors and hawkers, etc., all should continue to be maintained. In sum, everything advantageous for industrial and agricultural production, for commodity circulation, for stable market prices, should be more vigorously done. Smuggling, speculating, driving up prices, disturbing the market, loaning money recklessly, using expense money recklessly, issuing bonuses recklessly and behavior which goes against policy and violates finance regulations must be controlled closely and with severity.

Through summarizing the lessons of experience, both positive and negative, in Guangdong's finance and trade work in the past 30 or more years, the conference felt that finance and trade departments must steadfastly implement the general principle of finance work, "develop the economy, guarantee supply," uphold the guiding ideology that a planned economy is primary and market adjustment is secondary. While permitting a variety of channels and a variety of managerial forms, we must uphold the role of the mainstays and the main body in state-run commerce; and while we should consider the three interests of nation, collective and individual, we cannot consider just one of them. In market management work we must uphold the principle of "lively but not disordered, controlled but not rigid" and not let the phenomenon of "once relaxed there is disorder, once controlled there is rigidity" of the past happen again. At the same time, we must also stress research and respect for objective economic rules, pay attention to survey research and do a good job of market forecasting to raise Guangdong's finance and trade work to a new level.

The conference also researched implementing State Council and Provincial Government [policy] on the questions of strengthening agricultural sideline goods purchases, organizing industrial goods for the countryside, strengthening market management, stabilizing market prices and the entire finance and trade enterprise.

Wang Quanguo [3769 0356 0948], the provincial party secretary and vice governor, gave a speech at the meeting. Yang Deyuan [2799 1795 0337], vice governor, gave a summary report.

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CSO: 4006/561

INDUSTRY

JINCHENG EYED AS MAJOR RAW MATERIAL BASE FOR NITROGENOUS FERTILIZER INDUSTRY

Beijing NENG YUAN [JOURNAL OF ENERGY] in Chinese, No 3, 25 Jun 82, pp 7-8

[Article by Zhang Yulin [1728 3768 2651] of the Materials Supply Bureau of the Ministry of Chemical Industries: "Establish the Jincheng Mining Area as the Major Raw Material Base for the Nitrogenous Fertilizer Industry"]

[Text] For more than 30 years, our nation's nitrogenous fertilizer industry has developed greatly. In 1980, the productive capability of nitrogenous fertilizers reached 52,880,000 tons and the output was 47,580,000 tons, but this still could not satisfy the ever increasing demand. Each year, we still have to import 6 to 7 million tons from abroad. Synthetic ammonia is the main raw material to produce nitrogenous fertilizers, and it is also the raw material for the national defense and military industries, for dynamite for mines and the refrigeration industry. The key problem that affects the production and development of synthetic ammonia at present is the problem of raw materials. The quality of lump anthracite in our nation is good and resources are abundant. We should establish the policy of using mainly lump anthracite as the raw material for synthetic ammonia and establish the Jincheng Mining area as the major raw material base for the nitrogenous fertilizer industry. We should start out from the overall situation to realize rational utilization of local energy resources and to obtain the best overall results.

I. Analyze the Raw Material Structures, Establish a Raw Material Policy

The structure of raw materials for synthetic ammonia in our nation at present is as follows: Natural gas constitutes about 11.3 percent, gas from oil fields constitutes 7.4 percent, light oil constitutes 8.1 percent, heavy oil constitutes 6.4 percent and coal tar constitutes 64.5 percent. Operation of the 8 major plants using natural gas and gas from oil fields as raw materials uses only about 80 percent. There is a shortage of raw materials for the five plants using light oil as raw material and the cost is high. Most of the synthetic ammonia plants that use coke as raw material have coking furnaces or fixed supplying units and the supply is relatively normal. But in the long range view, massive use of coke conflicts with the development of steel. Although our nation's coal reserves are very rich, there is less coking coal. Also building coal washing plants and coking furnaces require massive investment. There are also some plants that use indigenous coke as raw material. Consumption of coal is high, the cost is high and pollution is serious.

Although the synthetic ammonia plants that use lump anthracite as raw material have some problems with supplies at present, but in the long range view, they still have a future for development. The key problem is to supply concentrates that are suitable to the demands of synthetic ammonia technology and to have a relatively stable source. In this way, consumption can be lowered and the burden of transportation can be reduced.

II. Establish a Raw Material Base, Fix the Source of Raw Material

Jincheng in Shanxi has a large reserve of anthracite. The quality is good. The indices of the properties of the components all meet the requirements as raw material for synthetic ammonia.

At present, the whole nation produces about 6 million tons of lump anthracite a year. About 4,200,000 tons are used to produce chemical fertilizers, constituting 70 percent. The shafts that have already been built at the Jincheng Mines have a designed capability of producing 3.9 million tons. Annual output has already reached 4.1 million tons, and the percentage of lump coal is about 60 percent. Only 1.5 million tons are supplied to the chemical fertilizer plants for use. There are also a large number of chemical fertilizer plants that have asked Jincheng for lump coal but could not get it. The development of the capabilities of the production equipment of the second set of chemical fertilizer facilities at the Sanming Chemical Plant in Fujian, the Heci Chemical Plant in Guangxi, the Qianan Chemical Fertilizer Plant in Hebei, the Zijiang Nitrogenous Fertilizer Plant in Hunan has all been affected because there were no fixed raw material sources or because raw material supplies were insufficient.

During the ten years from 1971 to 1980, medium-sized nitrogenous fertilizer plants throughout the nation produced a cumulative total of 25,670,000 tons of synthetic ammonia, utilizing 74.74 percent of their productive capabilities. Plants capable of using solid raw materials (coal, coke) utilized 75.38 percent of their productive capabilities at an average profit of 41.57 yuan per ton of ammonia. The 14 plants receiving lump coal rationed by the state utilized only 71 percent of their productive capabilities, averaging a profit of 35.4 yuan per ton of ammonia. The plants using mainly lump coal from Jincheng utilized 85.8 percent of their productive capabilities and realized a profit of 83.73 yuan per ton of ammonia, the highest profit of all. The nitrogenous fertilizer plants that did not have a fixed source of raw materials could only utilize 68.23 percent of their productive capabilities and they suffered a loss of 15.33 yuan per ton of ammonia. The supplies to these plants were often insufficient and the quality was poor. These have brought about great difficulties in production technology and in technical operation. Of course, whether a plant can utilize its productive capabilities well depends on many reasons of economic gain or loss. But the raw material of synthetic ammonia plants constitutes the largest proportion in the cost of the product. When the source of the raw material is fixed, when the varieties are suitable, the economic results will be good. If the source of raw material is not fixed and if the varieties are unsuitable, then the economic results will be poor.

Analysis of consumption quotas shows that the difference in the varieties of raw materials directly affects the consumption quotas. Plants that use coke to produce synthetic ammonia consume 1,373 kilograms per ton of ammonia calculated at the standard amount (C84 percent). Plants that use lump anthracite to produce ammonia consume a standard amount of 1,455 kilograms per ton of ammonia. Plants that use Jincheng lump coal to produce ammonia consume 1,333 kilograms per ton of ammonia, 40 kilograms less than those using coke and 122 kilograms less than those using other types of lump anthracite. The price of coke is over 80 yuan per ton, more than onefold higher than Jincheng coal. Thus it can be seen that establishing Jincheng as a base of raw materials for nitrogenous fertilizers to fix the source of raw material is beneficial to developing the capabilities of the facilities, conserving energy and creating economic values.

III. Improve the Quality of the Raw Material, Rationally Utilize Energy

The required quality indices for coal used to produce synthetic ammonia are all relatively strict. The output will drop when any one of the requirements is not met, and this would even cause a loss. Synthetic ammonia plants that use lump anthracite as raw material have fixed layer coal gas generating furnaces as their production facilities. After lump anthracite enters the furnace, it is dried, distilled, oxidized and reduced. It must maintain a definite porosity and appropriate resistance to aeration under various states. If porosity is too small, resistance to aeration will increase, the results of combustion will drop, the duration for blowing will be long, the temperature in the furnace will rise slowly, less gas will be produced, the quality of the gaseous components will be poor, and the output will consequently drop and consumption will increase. Therefore, the granularity of lump coal is very important. It must be between 25 and 75 millimeters. If the lumps are too large or too small, they will be unusable. According to tests performed by the Nanjing Chemical Company, in the same facility, the daily output of synthetic ammonia is 65 to 68 tons when lumps larger than 25 millimeters are used. The amount of coal dust blown away is 2 percent. When burning small lumps of 15 to 25 millimeters, the daily output will drop to 45 tons and the substances blown away will amount to 4 percent to 5 percent. In the current supply of lump coal, there are too many small lumps and dust. This affects output and increases consumption. To guarantee the quality and granularity of the coal used as raw material and to rationally utilize the resources, we should reduce the amount of dust and produce more lump coal by taking measures in designing the mine shafts and in the method of mining. At the same time, when washing and screening coal at the coal mines, the varieties should be separately supplied according to the different needs of the users. We should guarantee quality and quantity, supply concentrates so that the coal can be immediately placed in the furnaces and used when it arrives at the plants. This can conserve transportation efforts, reduce energy consumption, and improve economic results.

The Fenghuangshan Mine of the Jincheng Mining Bureau had conducted washing and screening experiments. The quality of coal visibly improved, over 14 percent of the waste rocks were washed out, and the amount of dust was also reduced greatly. Lumps smaller than 13 millimeters constituted only 5.5 percent. The

Xiangjiang Nitrogenous Fertilizer Plant used 3,000 tons on a trial basis and the results were good. Calculations based on this quality data showed that the actual amount of raw material coal used for each ton of synthetic ammonia can be lessened from the present 2.26 tons to below 1.7 tons. Estimates showed that the output of 1.5 million tons of lump coal supplied by Jincheng at present can increase the output of synthetic ammonia from the original 660,000 tons to 880,000 tons, equivalent to conserving 500,000 tons of coal and corresponding transportation efforts.

IV. Expand Transportation Capabilities, Increase the Supply of Raw Material Coal

The Jindongnan Prefecture has anthracite resources. The productive potential is very great. The key problem now is transportation. At present, there are 4 million tons that cannot be shipped out. It is suggested that concerned departments actively carry out measures to enlarge transportation capabilities, increase the supply of raw material coal to satisfy the needs of the nitrogenous fertilizer industry. At the same time, it is hoped that screening work at the coal mines can be strengthened to reduce the percentage of dust as much as possible and to supply concentrates. This will correspondingly reduce the burden on railroad transportation.

The benefits of doing so are as follows:

- 1) One ton of lump anthracite (concentrate) can replace one ton of coke in the production of nitrogenous fertilizers. Refining one ton of coke requires one and a half tons of washed coal concentrates. One ton of washed coal concentrates requires one and a half tons of raw coal. The use of 10 million tons of Jincheng coal can conserve about 10 million tons of raw coal when compared to using coke. Price calculations show that one ton of coke costs 80 yuan, one ton of Jincheng coal costs 40 yuan, a difference of onefold. Calculating at 10 million tons, using Jincheng coal can save 400 million yuan compared to the use of coke.
- 2) Medium-sized chemical plants can have enough raw materials and can fully develop the capabilities of their productive facilities and increase profits.
- 3) A group of small chemical fertilizer plants can turn losses around and will not have to be shut down.
- 4) When the raw materials for the domestic nitrogenous fertilizer industry are suitable and the supply is sufficient, output can be increased, and the amount of imported chemical fertilizers can be reduced, thus conserving foreign exchange.

9296

CSO: 4013/123

CONSTRUCTION

STRESS CONSTRUCTION INSPECTION, RAISE BUILDING QUALITY

Yinchuan NINGXIA RIBAO in Chinese 10 Jun 82 p 3

[Article by Yang Ruiji [2799 6904 0679]: "Stress Construction Inspection and Raise Building Quality"]

[Excerpt] In recent years, local and unit fixed assets investment projects using funds they raised themselves and other funds have become more and more numerous. Those engaged in construction and building work have also been developing and growing stronger. In the Yinchuan region alone, for example, there has been a 15-fold increase compared to before 1966. Commune, and brigade enterprises and collectively controlled enterprises have grown rapidly but a considerable number have not had any strict construction management training, technical strength is weak, some do not even understand approval of work in the construction process, some inspectors lack testing skills, instruments are not workable and inspection cannot keep up. According to a survey made by the Yinchuan bank, of the over 200 medium and small-scale projects started in the Yinchuan district in 1981, in over 50 percent of them approval of work materials were incomplete, and 30-40 percent of the projects basically lacked approved materials. This is an incorrect method which seriously violates the accepted norms for building construction and must have an impact on the service life and quality of construction.

In certifying work, it has been discovered that some construction firms have not built according to the plans and have changed the plans at will. For example, in building an over-1,000 square meter toweling shop at the Yinchuan Cotton Textiles Mill, the construction company, on its own, changed the thickness of the purlins in the roof, the silicon joint reinforcement was not done according to the plan specifications and as for the density reduction, through acceptance inspection it was determined that the load-bearing ability was insufficient and would have an impact on the service life of the building so it was necessary to take measures to reinforce it. In addition to construction units establishing a strict system of construction inspection, construction units must also provide necessary construction documentation and design materials, but there are many construction units which do not put much emphasis on care of construction technology materials, so that when a project is completed, the technical materials are lost.

To stress construction inspection and improve building quality, first of all requires stressing construction companies' overall quality control, reorganizing construction workers, actively training technical personnel for inspection and establishing a sound system of quality inspection and a system of quality rewards and punishments. Team and group individuals should implement a quality guarantee system which combines the construction task and construction quality, and educate construction workers to make creating "excellent" "famous brand" projects something for construction companies to stress. Quality assessment and registration should be carried out on construction companies which have grown in the past few years. Those in which quality control is not strict and in which the system is not strong should be made to stop work and reorganize. The past practice of effective pre and post construction reports should be revived and construction procedures followed strictly.

Second, we should establish enlightened construction which observes the prevailing customs of science. Between working processes there should be a procedure where the first process considers and is responsible to the next. The next process also should reflect the quality of work of the previous process and they should supervise each other. Strictly, scientific test data cannot use approximations such as "probably" and "about" to estimate construction quality. Establishing a handing-over procedure for quality between teams, groups and procedures, covered-up work will not be accepted and the next procedure cannot go forward. When instability in construction quality is discovered and there is a danger of an accident, due to quality, measures should be taken immediately to eliminate the hidden danger.

Third, establish a system of construction site visits after completion and use. Quality of construction in the final analysis should depend on the results of use. Thus, within a year of completion on a building, it is necessary for the construction unit to pay a quality visit, solicit the views of the consumer and conduct a system of free guarantees for any construction quality problem to raise the quality of construction.

Fourth, the construction units should assign personnel who understand capital construction and building to manage basic construction. They should stress field supervision of construction, discover and deal with promptly questions of quality and when necessary ask the design department technicians to guide and supervise.

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DOMESTIC TRADE

INCREASED CONSUMPTION OF CONSUMER GOODS NOTED

Guangzhou NANFANG RIBAO in Chinese 7 Jul 82 p 1

[Article: "Guangdong Urban and Rural Markets Sales Volume Continues To Climb in First 6 Months; Withdrawal of Currency from Circulation Increases by over 1 Billion Yuan Compared to Same Period Last Year"]

[Text] Reporters have learned from the Guangdong Province Finance and Trade Work Conference now going on in Foshan that in the first 6 months of this year the supply of goods in Guangdong's urban and rural markets was plentiful, trade was brisk, the volume of sales of social goods rose and the amount of currency withdrawn from circulation increased.

This year 4 good trends have appeared in Guangdong's urban and rural markets: Gross value of sales has increased greatly, with the provincewide volume of sales of social goods from January to May reaching over 7.5 billion yuan, a 17 percent increase over the same period last year. Net sale volume has increased 12 and 13 percent compared to the same period last year. Second, the sources of manufactured goods for daily use are plentiful; sugar, tobacco, and wine and nonessential foods are abundant; vegetables and pork, the non-staple foods, are in balance and markets are beginning to see a "three more, three less" situation, i.e., attractive things are selling more, outdated things are selling less; new top quality goods are selling more, general items for daily use are selling less; well-price, high quality name brands are selling more, unknown, poor quality, high-priced goods are selling less. This year there has been a big increase in the variety and quantity of knitted and woven goods and some commonly used goods which used to be in short supply. Sales volume of some high-quality durable consumer goods, such as televisions, pedestal (and ceiling) fans, washing machines, electric refrigerators, has clearly increased and sales of bicycles and sewing machines, which have been in short supply, have increased by 58 and 42 percent respectively, and supply and demand is gradually coming into balance. Three, supply of vegetables and pork in large and medium-sized cities is normal, sales are increasing and prices are basically stable. Supply of goods in minority nationality areas has also improved. Four, currency withdrawn from circulation is increasing monthly and has increased over 1 billion yuan compared to the same period last year and is the best period for withdrawal of currency from circulation in recent years.

The Guangdong Finance and Trade Work Conference looks forward to a developing trend in Guangdong markets in the next 6 months and believes that sources of industrial goods for daily use will be abundant, rural food supply after the summer harvest will further ease up, that supply of pork in large and medium-sized cities will continue to be stable, and that the supply situation in the entire market will become better and better. However, the supply of poultry, eggs and aquatic products is still somewhat tight, there has been a steady increase in market prices, the scope of negotiated price goods is broad, and the increase in prices in agricultural trade fairs has been big. The representatives who attended this meeting said that improving market supply is still the central mission of finance and trade departments and that all finance and trade employees should conscientiously summarize the lessons of experience, adapt to new conditions, catch up with the new trends, rouse revolutionary spirit and continue to work hard to do market supply work better.

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CSO: 4006/561

TRANSPORTATION

BRIEFS

QINGHAI RAILWAY CONSTRUCTION--The construction of the first stage--the (Hake) section--of the Qinghai-Xizang Railway has been basically completed and will be opened to traffic around the 1983 new year period. The 269-km-long (Hake) section begins from the (Haer) station in the east and ends at the (Keke) station in the west--a station near (Kekeyanchi) Lake in Qinghai Province's Wulan County. The railway section between Xining and (Haer) station has already been opened to traffic for a long time. The construction of the (Hake) section began in 1975. In addition, many middle and primary schools, cultural and recreation sites, medical establishments and commercial centers have been built along the section. [SK020149 Harbin Heilongjiang Provincial Service in Mandarin 2330 GMT 30 Aug 82 SK]

SHAANXI RAILROAD REPAIRS--The 29,000 railroad and civilian laborers repairing the Baoji-Chengdu, Baoji-Tianshui and Yangpingguan-Ankang railroads, which were seriously damaged in the floods last August, have worked hard to ensure the safety of the lines during this year's flood season. Of the 165 projects arranged for this year, work has now started on 142, and 49 have been completed. Places on these lines where trains can only proceed slowly have now been reduced from 140 to 101. Speed restrictions have been lifted somewhat in 49 other places. Freight traffic on the Baoji-Chengdu and Baoji-Tianshui railroads from January to July approached the level for the same period last year. [Xian Shaanxi Provincial Service in Mandarin 0500 GMT 26 Aug 82 HK]

CSO: 4006/634

GENERAL

QUALITY MONTH ACTIVITIES TO BEGIN IN SEPTEMBER

OW011101 Beijing XINHUA Domestic Service in Chinese 1535 GMT 27 Aug 82

[Excerpts] Beijing, 27 Aug--The fifth round of "Quality Month" activities will begin throughout the country in September. The State Economic Commission on 27 August called a telephone conference, calling on all departments and localities to proceed from realities and pay keen attention to the major requirement of "seeking practical results and satisfying consumers" in order to more successfully carry out this year's "Quality Month" activities.

State Councillor and State Economic Commission Minister Zhang Jingfu spoke at the telephone conference on behalf of the State Council. He said: The current economic situation in the country is generally good. The target of ensuring a 4-percent and striving for a 5-percent increase in the economic growth rate can be fulfilled. However, due to the erroneous "leftist" interference in the guiding principles regarding economic construction over a long period of time, we still have to overcome the previous overemphasis on output, output value and speed and the neglect of variety, quality and economic results. This is a serious problem in our efforts to strive for progress, as well as an important key in consolidating and developing the excellent situation.

He pointed out that three problems regarding the variety and quality of industrial products merit our keen attention. First, the technical standards of some products do not meet the needs of development of the national economy; second, some products are unmarketable and are piling up at warehouses; and third, the quality of some products, including means of production and means of subsistence, is unstable. The quality of a few products has deteriorated. Similar problems exist in transport, communications and commerce. These problems have not only caused grave economic losses to the state but also affected our international reputation.

Responsible persons from Shanghai Municipality and the Ministry of Machine-Building introduced their experience in increasing product variety and raising product quality at the conference. Responsible persons from all ministries, commissions and general bureaus under the central government and from all provinces, municipalities and autonomous regions took part in the conference.

CSO: 4006/634

GENERAL

FURTHER REPORT ON ADVISORY GROUP

HK020907 Shijiazhuang Hebei Provincial Service in Mandarin 0400 GMT 27 Aug 82

[Summary] In their speeches at the first meeting of the provincial technical and economic advisory group, leading comrades of the Hebei Provincial People's Government stressed: "Giving full play to the role of intellectuals, particularly experts in all fields, is an important task in strengthening and improving the government's leadership work and improving the work style, as well as an important measure for strengthening and improving the leadership of the government over technical and economic work. We must strive to do it well."

The first meeting of the provincial technical and economic advisory group was held in Shijiazhuang 23-26 August. "The meeting looked into and discussed the tasks, functions, powers and method of activities of the advisory group. The meeting conducted a full discussion, with stress laid on how to raise the economic returns in industrial and agricultural production in our province. The experts and professors of the advisory group were greatly inspired on seeing that leading comrades of the provincial government seriously improved their work style, respected science, relied on experts and attached importance to the role of experts. They felt that the duties they shoulder are important." In the course of discussion, they put forth many valuable suggestions and feasible views on transforming the system of economic management, exploitation and utilization of natural resources and raising economic returns in industrial and agricultural production.

Liu Bingyan, Li Feng and Yue Zongtai attended the meeting and spoke, saying: "Respecting science, relying on experts and giving play to the role of experts are of extremely important significance." The provincial government decided to establish the technical economic advisory group. The main tasks of the advisory are to study the issues concerning technology, economic measures and projects which are handed over to it by the provincial government and are to submit programs to the provincial government. In their speeches, they expressed their hope that "the comrades of the advisory group will work with one heart and one mind, work hard and make more contributions toward all items of construction in our province."

CSO: 4006/634

GENERAL

ANHUI URGES IMPROVEMENT IN INDUSTRIAL PRODUCTS

OW020928 Hefei Anhui Provincial Service in Mandarin 1100 GMT 1 Sep 82

[Text] According to an ANHUI RIBAO report: On the evening of 27 August, the Anhui Provincial Economic Committee held a telephone conference to organize the industrial, communications, machine-building, electric power and other concerned departments of various prefectures, municipalities and counties and those directly under the provincial government to listen to the speech delivered by Zhang Jingfu, state councillor and minister of the State Economic Commission, at the fifth national quality month telephone conference. At the provincial telephone conference, Huang Yu, vice governor of Anhui and chairman of the Anhui Provincial Economic Committee, made arrangements for making Anhui's quality month activities a success.

First, Comrade Huang Yu pointed out: Since the beginning of this year, Anhui's industrial production has been increasing and the economic results of its industries have been improved as compared with the corresponding period for last year. However, there is a conspicuous problem at present: The quality of some products is not as good as before. It is particularly true with light and textile industrial products. The primary causes for the worsened quality are our failure to firmly establish the quality first notion, a fragile foundation, low technological level, poor quality inspection system and the failure to bring into sufficient play the role of technicians and veteran workers.

Comrade Huang Yu called on the industrial and communications enterprises in the province to pay attention to the real effects and satisfy customers during the quality month activities. He urged all enterprises to organize their staff and workers to seriously study and discuss Comrade Zhang Jingfu's speech, analyze existing quality problems and suggest measures for improvement. Comrade Huang Yu emphasized that to improve the quality of industrial products is a long strategic task which cannot be done in a month and that leading cadres at all levels should pay great attention to product quality and regard the quality of products as a criterion for evaluating an enterprise during enterprise consolidation.

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